2009 - 2010
Annual Report

Agricorp®

An agency of the Government of Ontario
Un organisme du gouvernement de l'Ontario

Connecting producers with programs

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When factors like unpredictable weather, unstable market conditions and production loss interfere with a farming business, Agricorp delivers risk management programs that provide a vital lifeline for producers.

As an agency of the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA), Agricorp delivers government and non-government risk management programs to help Ontario producers manage agricultural risk. We are also responsible to the provincial government to deliver these programs maintaining the highest standards for fiscal responsibility, transparency, accountability, risk management and customer service.

Our customers are knowledgeable, motivated and passionate agricultural professionals who manage complex businesses. They are grain and oilseed producers, vegetable and fruit growers, livestock and horticulture producers, dairy operators, poultry, hog and cattle producers. It's a high-stakes business and margins for error are slim. At the core of it all, is our commitment to listen and respond.

Our more than 400 employees serve more than 47,000 producers province-wide ensuring the smooth, swift delivery of our many programs. We are proud of our unique role in Ontario's agriculture industry and we work constantly to understand the needs of our customers.

Our Vision

To be a versatile, customer-focused organization that works with partners to innovatively deliver programs and services that enhance the vitality of Ontario agriculture.

Our Mission

We connect producers with programs. We partner to deliver risk management programs that are responsive to the changing needs of agriculture.

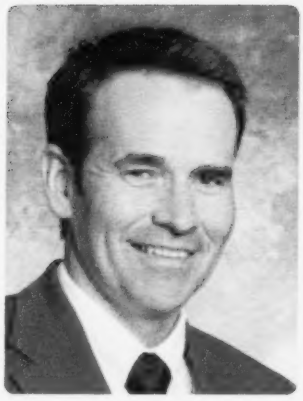
Delivery is our strength. We focus on efficient and effective delivery of programs with quality, integrity and transparency.

Customers are our priority. We want to deliver consistently professional services and programs that provide security today while helping our customers manage their risks in the future.

Our people are the foundation of our success. Collaboration and continuous improvement harness our many strengths for a common focus.

We are publicly accountable. Through the prudent expenditure of public funds, we deliver programs on behalf of our agricultural and government partners with consistency, openness and dependability.

Chair's Message



Reflecting on my first year

My term as Chair began in 2009, coinciding with many of the transformative measures Agricorp is undertaking. It's been an interesting year and I've learned a great deal about Agricorp and the challenges it faces.

I had the opportunity to learn more about some of these challenges first hand when I attended a number of commodity group meetings this year to help strengthen relationships, share Agricorp's customer service priorities and get a better understanding of how Agricorp can meet their needs. It was also an opportunity for the industry to understand Agricorp's mandate, how it operates and ask questions.

I've enjoyed working with all of the board members. Their collective expertise, support and professionalism made it very easy for me to quickly get up to speed during my first year at the helm. While we accomplished a great deal I'd like to mention the work done to strengthen the oversight role of the board.

In 2009 we created the new Governance and Human Resources Committee responsible for formulating and recommending governance principles and policies and for overseeing corporate governance for the board including appointments. The committee is also responsible for overseeing HR programs including compensation, HR policies and succession planning.

Strong performance

This is my first Annual Report message as Chair and I'm pleased to report to you on a successful year for Agricorp. This success reflects the hard work of the senior management team and employees clearly focused on improving how Agricorp delivers its risk management programs and customer service. It's also the result of important decisions made last year outlined in the Renewal Plan in response to the value for money audit.

"This year Agricorp made good progress on improving customer service as much as possible with existing systems, recognizing that more comprehensive system changes will take time in this fiscal environment."

Agricorp made solid progress on its objectives. Targets were met or exceeded in the majority of areas. This year Agricorp made good progress on improving customer service as much as possible with existing systems, recognizing that more comprehensive system changes will take time in this fiscal environment. Agricorp's customer satisfaction survey scores showed significant improvement from last year validating the work done to strengthen customer relationships.

Public accountability is central to Agricorp's operations and I'm pleased to see it remains a key area of focus. Agricorp needs to continue to exhibit the highest standards of transparency if the organization wishes to maintain the trust and confidence of producers especially in these challenging times.

Agricorp continued to demonstrate a fiscally responsible profile. This was achieved primarily through a clear understanding of priorities and a business model aligned with customer needs. In fact, Agricorp's costs and performance measures are in line with other provincial jurisdictions and in many cases lead the country.

"Agricorp needs to continue to exhibit the highest standards of transparency if the organization wishes to maintain the trust and confidence of producers especially in these challenging times."

While it's been a very good year for Agricorp, there's still room for improvement.

I'm looking forward to working more closely with the Minister to review Agricorp's mandate, to ensure Agricorp meets the expectations of the Minister and to ensure Agricorp is well positioned to support both the government and the agriculture sector.

I have the privilege of serving with an outstanding group of directors and a management team headed by Randy Jackiw who all share a common commitment to Agricorp's goals and to excellence in attaining them. Looking ahead my fellow directors and I have every confidence Agricorp will continue to fulfill its mandate and will do so with integrity.

Larry Skinner
Chair

Board Governance

Agricorp's business is based on trust. Trust that we'll do our best to help producers when they need it most. Trust that we'll guide the company in a way that upholds the confidence of our customers. To keep that trust, Agricorp rigourously adheres to regulatory requirements and best management practices to ensure sound and consistent governance throughout the organization.

Operational enterprise agency

Agricorp is a provincial crown corporation and classified as an operational enterprise. Operational enterprise agencies sell goods or services to the public in a commercial manner. We follow leading governance practices and our daily activities are guided by the highest standards of conduct. We are responsible for the judicious use of public resources and for carrying out established mandates.

Legislative authority

Agricorp was established in 1997 by the provincial government under the authority of the *AgriCorp Act, 1996*. This act outlines Agricorp's purpose, powers, mandate and structure. It also authorizes Agricorp's board of directors to create by-laws detailing the board's operating policies. Agricorp is governed by a board of directors which is accountable to the Ontario Minister of Agriculture, Food and Rural Affairs (OMAFRA).

Board independence

Board governance guidelines as well as the roles and responsibilities of the Chair, board members and board committees are documented in the board's bylaws and include:

- Fiduciary and operational oversight
- Strategic planning
- Risk management and internal controls
- Legal and ethical conduct
- Director orientation, continuing education and evaluation
- Liaison with OMAFRA

The roles of Agricorp's CEO and board Chair are separate and distinct, consistent with best practices on good governance.

Board capability and performance

The board meets quarterly and regularly assesses its collective performance through a structured process of self-evaluation facilitated by an external consultant. This work helps to inform the next appointments process, future board training and the hiring of outside expertise for specific assignments.

Orientation and education for board members

When a board member is appointed he/she receives a detailed orientation and meets with other board members as well as senior management to learn about the business and understand the issues facing Agricorp. The board regularly attends education sessions on financial and risk management, governance best practices and pensions.

Board of Directors membership

Board members are appointed by the lieutenant-governor through an order-in-council on the recommendation of the Minister of Agriculture, Food and Rural Affairs. Board members have varied experience to provide a broad range of perspectives and proper oversight of the organization's operations. In addition, an annual strategic planning session is held where the board reviews and identifies improvements to governance and initiates the strategic planning process to ensure the agency is on course. As of March 31, 2010 the agency had nine members.

Finance and Audit Committee

Agricorp's board of directors has appointed a Finance and Audit Committee to oversee and advise on the financial management of Agricorp including:

- Monitoring controllership and finance at Agricorp and reporting to the board.
- Communicating Agricorp's business needs, expectations and priorities to Ontario Internal Audit Services.
- Approving Agricorp's risk assessment and audit plans.
- Monitoring the adequacy and timely implementation of actions taken in response to audit recommendations.
- Ensuring compliance with the Internal Audit Directives.
- Meeting with external auditors and Auditor General representatives to review the year-end financial statements.

The committee also oversees the employee pension fund and Agricorp's investment management activities, including periodic reviews of the investment policy statements.

Governance and HR Committee

Created in 2009, the Governance and Human Resources Committee of the board provides oversight and advice on corporate governance and human resources matters at Agricorp, including:

- Board appointment processes.
- Board training and orientation.
- Overall compensation philosophy.
- Succession planning for executive members.
- Organizational compensation plan and performance evaluation processes.

Relationship with OMAFRA

A Memorandum of Understanding (MOU) clarifies expectations and reporting requirements for these three categories: financial, staffing and administration. It also defines the relationship between the Ministry and Agricorp, including the roles and responsibilities of the Minister, the Deputy Minister, the Chair of the board, the board of directors and the Chief Executive Officer.

Code of ethics, oaths of office and allegiance

Agricorp has a comprehensive code of ethics outlining professional conduct and establishes the standards of ethical behaviour and responsibility. Members of the board and employees with Agricorp sign an acknowledgement of this code.

The oaths of office and allegiance reinforces to employees the serious obligations and responsibilities they fulfill as members of the public service.

Board of directors

Larry Skinner – Chair (Perth County) · **May 13, 2009 – May 12, 2012**

Larry is a full-time swine farmer who served on the board of Ontario Pork for eight years, three of those as chair. Before he began farming he worked as an agricultural lender for TD Bank. He is currently pursuing a Master of Divinity degree from the University of Toronto.

David Epp – Vice-Chair (Essex County) · **February 7, 2007 – June 24, 2011**

A third-generation farmer and co-owner of Lycoland Farms Ltd., David served 14 years with the Ontario Processing Vegetable Growers, two of those as chair. He grows processing vegetables and cash crops.

William (Bill) Allison (Halton Region) · **April 30, 2008 – April 29, 2011**

Bill is a field crop producer and former director with the Ontario Federation of Agriculture, past director and chairperson of the Ontario Soybean Growers, and a former chair of AGCare.

Gérald Beaudry (Nipissing County) · **June 14, 2005 – June 10, 2011**

Gérald has been a pedigree seed grower for the past 20 years. He has served as provincial director of the Ontario Soil and Crop Improvement Association and of l'Union des cultivateurs franco-ontariens, and local president of the West Nipissing Soil and Crop Improvement Association.

Chris Button (Elgin County) · **July 5, 2004 – July 4, 2010**

A partner in the firm of DenHarder McNames Button LLP, Chris is a Certified General Accountant. He has held executive positions in his local chamber of commerce and is a Certified Financial Planner and Trust and Estate Practitioner.

Rosemary Davis (Northumberland County) · **May 6, 2009 – May 5, 2012**

An agrologist, Rosemary owns Sunhil Farms Ltd. and Sunhil Investments Ltd. and is a director on the board of the Northumberland Community Futures Development Corporation. She was also the first female chair of the Farm Credit Canada board of directors.

Robert Emerson (Bruce County) · **June 25, 2008 – June 24, 2011**

Robert has farmed since 1961 and has also served in municipal politics. Robert is currently on leave from Agricorp's board of directors.

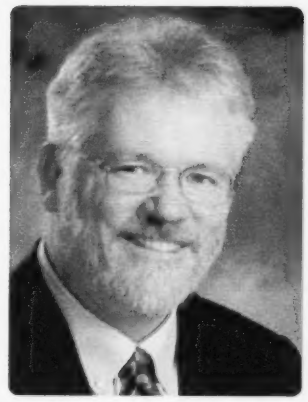
Barbara J. Miller (Listowel) · **February 7, 2007 – July 23, 2009**

Barbara is president and CEO of Woodwylde Inc. and has held such positions as Deputy Minister of the Ministry of Economic Development and Trade and Chief Administrative Officer/Director of the Food Industry Competitiveness branch, Ontario Ministry of Agriculture, Food and Rural Affairs.

John Van Turnhout (Stormont County) · **June 14, 2005 – June 10, 2011**

John has been farming since 1965, first in dairy and later in cash crop and custom work. He has served as director of the St. Lawrence River Institute of Environmental Sciences, among other local bodies.

CEO's Message



Producers look to government to help them manage many of the risks inherent in operating an agricultural business. In 2009-2010 Agricorp delivered close to $300 million in claims on behalf of government to producers in all regions of the province.

To continue doing this work effectively and responsibly requires solid processes, knowledgeable and skilled employees and reliable IT systems. And, we need plans to guide our work. Our business plan which outlines the specific initiatives and projects keeps us accountable, on track and delivering on the right priorities.

Agricorp's focus is clear. We are committed to improving the customer experience, strengthening our foundation and transitioning to a holistic customer view.

Improving the customer experience

Agricorp is building customer confidence through targeted initiatives to improve the customer experience. Our goal is fast, efficient processing of files across all risk management programs. To accomplish this, we provide customers with the information they need, when they need it so they can make informed decisions.

We are building an organization that listens, that's straightforward and that helps customers to be successful and we're demonstrating the prudent management of program funding.

"Agricorp is creating a culture that puts the customer in the centre of everything we do."

We've put a great deal of time and effort into improving how we reach out to our customers. We've simplified many of our customer communications. We've provided more education to our front-line employees on all programs. We've implemented new telephone and contact protocols.

We're seeing this work translate into higher scores on our customer satisfaction survey.

Strengthening our foundation

Agricorp is creating a culture that puts the customer in the centre of everything we do. By formalizing business processes and aligning our people to support these processes, we will improve our customers' experience.

Standardizing our processes will ensure a more timely, streamlined and reliable handling of customer files and result in a delivery environment that can quickly adapt to new programs and policy changes without compromising the quality of customer service.

We're developing a more disciplined organization with the introduction of standard operating procedures, clear role definitions and clear accountabilities. We're adopting industry best practices and processes to ensure a consistent customer experience. We're investing a great deal of time and effort in improving how we do our work so processes are standardized and provide consistent delivery.

Transitioning to a holistic customer view

We are working hard to offer customers a predictable and consistent experience across all programs which can only be fully achieved through an integrated and sustainable IT system. Fiscal constraints mean we must implement system improvements in incremental stages over time. Right now, we're doing what we can with existing systems and making adjustments as the funding allows and the need occurs.

Our infrastructure needs significant attention and we're working with the ministry on a balanced approach to implementing system changes within the current financial environment.

In 2009-2010, we took a balanced and disciplined approach to mitigating risk and building strength for the future while ensuring day-to-day service. We made reasonable and common-sense decisions on the projects we undertook. We worked hard to be creative with the infrastructure we have. We have been recognized consistently by our customers in our customer satisfaction survey as an organization that "gets it." And we compare well financially with other agencies in other jurisdictions doing similar work.

"In 2009-2010, we took a balanced and disciplined approach to mitigating risk and building strength for the future ensuring day-to-day service."

This year's activities and accomplishments have been organized around four qualities we strive to achieve every day. We're supportive. We're responsive. Our message is clear and straightforward. And we do our work with integrity.

Looking forward, we've set ourselves aggressive objectives for 2010-2011 and beyond. By delivering an excellent customer experience, proactively managing risk and improving as much as possible with the resources we have I'm confident our objectives are achievable.

I'd like to thank our board Chairman, Larry Skinner for his leadership and excellent support this year. Lastly, I'd like to thank our employees who have continued to make the organization the best it can be.

Randy Jackiw
Chief Executive Officer

Supportive

We know the industry. We know the challenges.
We can make a difference.

Agricorp makes a difference with Ontario's producers

According to the Ontario Federation of Agriculture, the 2009 total net income for Ontario farms was a loss of $330 million. The forecast for 2010 shows a further loss of a half billion dollars.

For producers in Ontario's hog, corn and apple sectors it's been particularly challenging. Ontario's pork producers were faced with Canada's high dollar, volatile fuel costs, grain and fertilizer prices and the H1N1.

Agricorp responded by making sure pork producers were given top priority when they filed their AgriStability claims. In 2009 close to $37 million in program payments was paid to pork producers. Agricorp also made interim payments (or payments made earlier to producers in financial distress) on a priority basis.

The August 2009 tornado severely damaged several Georgian Bay apple orchards.

Corn producers in Ontario's Bruce, Simcoe, Grey, Wellington and Huron counties wondered if they would be covered when a wet and cool growing season combined with an early frost threatened the area's corn harvest. Agricorp's employees immediately went into action implementing a comprehensive issues management and communications plan targeting impacted producers. Early and frequent communication in various agricultural media resulted in faster-than-normal yield and damage reports from producers giving Agricorp the opportunity to understand and proactively manage possible outcomes. Agricorp's quick response to a potentially devastating situation earned kudos from members at the semi-annual Grain Farmers of Ontario (GFO) meeting.

Damage from 2009's devastating August tornado left some Georgian Bay apple producers in dire straits. That's where Agricorp's suite of products helped out. AgriStability accounts of impacted growers were processed on a priority basis. On average apple growers have already received more than $24,000 each from PI and OVTP with an additional $260,000 set aside for producers pending the final tree removal.

So what's the common thread running through each of these situations? We assisted all of these producers through the delivery of risk management programs to stabilize their incomes.

2009-2010 Initiatives

We fully realize our customers are involved in a complex, high stakes business and each sector has its challenges. We are making significant investments in time and effort to improve the consistency in how we deliver our programs to producers.

In 2009-2010 the following initiatives supported Agricorp's goal to improve processing.

Annual business calendar implemented

Agricorp created an annual business calendar for AgriStability that aligns all business activities and resources required to deliver the program according to a defined and predictable schedule. The implementation of the calendar resulted in 98 per cent of the AgriStability program milestones being achieved on schedule.

Updated standard operating procedures

Agricorp initiated a project to do a systematic review of key business processes and to update or create, as required, detailed standard operating procedures that align with established best practices used in the financial services industry. The organizational structure was revised to better align employees with the updated processes and a distinct Quality Assurance and Performance Standards Unit was created. The first standard operating procedure manual was created for underwriting in the Grain Financial Protection Program. On completion of the multi-year project, documented standard operating procedures will describe in detail all business processes in all programs. Thorough, detailed documentation will promote a more consistent customer experience across all programs.

Project management practices and principles matured at Agricorp

A disciplined project review process enabled Agricorp to monitor and understand the relationships between multiple projects. This has allowed for in-year adjustments to projects and initiatives as Agricorp's operating environment shifts.

For producers in Ontario's hog, corn and apple sectors it's been particularly challenging.

Technology replacement strategy

A project with OMAFRA and multiple provincial jurisdictions to examine the feasibility of developing common software that could work in each jurisdiction to deliver business risk management programs was completed. This work built a common understanding of the need for all jurisdictions to develop the ability to use information across multiple programs. Agricorp continues to work with OMAFRA and Agriculture and Agri-food Canada (AAFC) to develop a business case and funding model to support Agricorp's replacement strategy for information technology systems.

New programs developed and current programs improved

Agricorp continues to consult with stakeholders to improve current programs and develop new ones. The agency's work with forage focus groups identified excessive rainfall coverage as an option for further investigation. The number of horticultural crops with coverage under the Production Insurance (PI) program has expanded significantly in recent years. Further enhancements to existing PI plans are also planned: the feasibility of a bee mortality plan was investigated with producers in the winter of 2009 - 2010 and changes to the cucumber plan to allow for grade separation are ongoing. In 2009, Agricorp successfully provided verification services to the Alternate Land Use Service (ALUS) and new services for the ethanol and greenhouse industry are also being investigated.

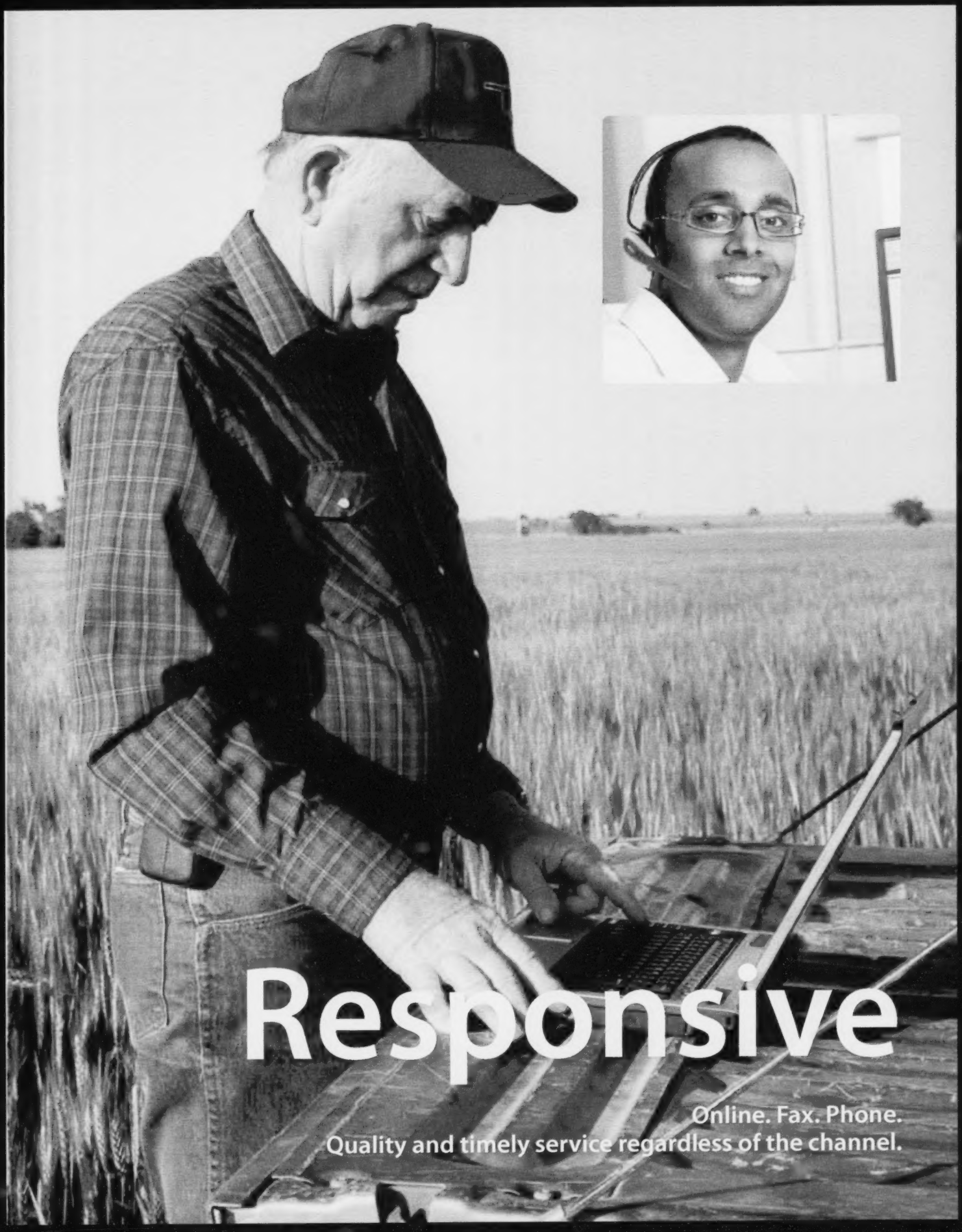
Agricorp partnered with government and industry on Business Risk Management Strategic Review

As part of the National BRM Strategic Review, and in collaboration with OMAFRA, Agricorp is providing advice and expertise in the assessment of design and delivery of programs. This work continues and will define the future for BRM programming. Work on this review is an example of how Agricorp partners with government and industry to develop innovative products that help producers manage risk.

2009-2010 Initiatives

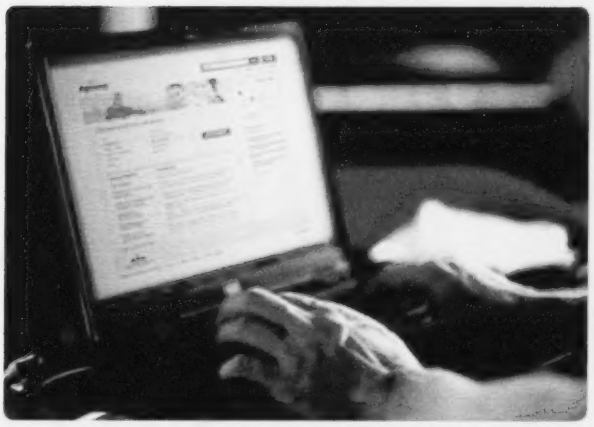
Performance targets and results

Target:	**To process 95 per cent of AgriStability files by December 15, 2009.**
Result:	95 per cent of AgriStability files were processed by December 3, 2009, four weeks sooner than in 2008-09 and well ahead of the December 15 target date. Other administrations across Canada completed an average of 66 per cent of files by this target date.
Target:	**To process 55 per cent of AgriStability files within 75 days of receipt.**
Result:	69 per cent of files were completed within 75 days of receiving all required information. In 2008-09 we completed 49 per cent of files within 75 days.
Target:	**To pay Production Insurance (PI) claims within 20 days of receipt.**
Result:	On average, handled PI claims in 17 business days, an improvement on 2008-09's average of 17.7 days to handle a claim.
Target:	**To pay 90 per cent of Risk Management Program (RMP) benefits within 60 days.**
Result:	90 per cent of payments were made within 60 days.
Target:	**To provide quality processing of PI files within a two per cent error rate or less as tested through Dollar Unit Sampling (DUS).**
Result:	For the 2009 crop year, we processed PI files within a one per cent DUS error rate.
Target:	**To provide quality processing of AgriStability files by reducing the number of file amendments over the previous year.**
Result:	In the last program year (2008) we reduced the number of file amendments by half; in 2008 we had 413 amendments compared to 820 the previous year.
Target:	**To provide quality processing of RMP files within a two per cent or less payment error rate.**
Result:	For the 2008 crop year the payment error rate was one per cent.


Responsive
Online. Fax. Phone.
Quality and timely service regardless of the channel.

Agricorp adds online capability for acreage reporting

With Agricorp's online acreage reporting tool, producers with Production Insurance (PI) can now report their grain and oilseed acreages when they're ready. That's a significant advantage for producers who are in their fields from dawn to dusk.



Overall customer service satisfaction, as rated in the 2010 customer satisfaction survey, increased for the third consecutive year.

June 30 is the busiest time of the year for our call centre. Close to 15,000 PI customers need to report their acreage by June 30. On top of that, an additional 22,500 AgriStability customers have to submit their application forms. The online reporting tool helped to alleviate call volumes to reduce customer wait times and improve service. In fact, the call centre experienced a 27 per cent decrease in call volumes and the online reporting tool was a contributing factor.

Agricorp officially launched the online acreage reporting tool in May 2009. In a web-based survey, favourable survey comments stressed the value of the tool's 24/7 capability making it convenient to report anytime. Producers also commented that the tool was easy to use, easy to understand and saved them time. More than 1,700 customers reported their acres through this new tool.

The popularity of online reporting exceeded everyone's expectations. Agricorp expanded the online reporting in September to allow reporting for fall-seeded winter wheat and winter spelt crops. More than 90 per cent of surveyed users said they were satisfied or very satisfied with comments ranging from "I found it straight forward and easy to use" to "I will probably use it all the time. Keep up the good work."

Reporting online is part of Agricorp's commitment to providing producers with a multi-channel reporting strategy that works for their busy schedules. In addition to online, users can still report through the call centre and by fax. Plans are to further increase the capability of providing online reporting for other crops.

2009-2010 Initiatives

We've made significant improvements to how we service our customers so we can provide them with relevant information and consistent processes.

In 2009-2010 the following initiatives supported Agricorp's goal to be an organization committed to continuous improvement.

Customer satisfaction survey continues to show improved customer service

Overall customer service satisfaction, as rated in the 2010 customer satisfaction survey, increased for the third consecutive year. Agricorp's strengths included operating with integrity, communicating effectively and doing things right the first time. Service through the key touch points of the call centre and written communications continued their positive trend. The rating for regional services remained above the five year average.

Program performance targets met and exceeded

Program processing targets were exceeded for AgriStability and Production Insurance. 69 per cent of all AgriStability files were processed in 75 days, surpassing the 55 per cent target. 95 per cent of files were completed by December 3, 2009, 12 days before the December 15, 2009 target. Production Insurance claims had an average handling time of 17 days, three days faster than the 20-day target. Risk Management Program payments were consistently provided to 90 per cent of customers within the 60-day payment window, meeting the established target.

Online service channels improved

An online acreage reporting tool was launched in spring 2009. Over 1,700 customers reported their acres through this new tool. Enhancements to myAgricorp.com enabled agents to log on once to manage multiple client accounts, as opposed to logging in to each account separately. Single sign-on access for agents led to a 42 per cent increase in the use of myAgricorp.com for submitting AgriStability information.

Program training increased service provided by front line employees

Training for call centre staff increased the number of customer calls that were resolved in the first call. Field staff also received AgriStability training, enabling them to better educate and inform customers.

Improvements to call routing and menu choices reduce the time for a customer to reach a customer service representative.

Call centre experience improved

A TeleType 1-800 service was implemented providing enhanced customer service for hearing and speech impaired customers. Improvements to call routing and menu choices for customers calling the call centre reduce the time for a customer to reach a customer service representative. Combining this with enhanced training for customer service representatives means customer calls are being answered in a timelier manner. By March 2010, call centre average wait times dropped to 16 seconds down from 25 seconds in March 2009.

Focusing agent needs

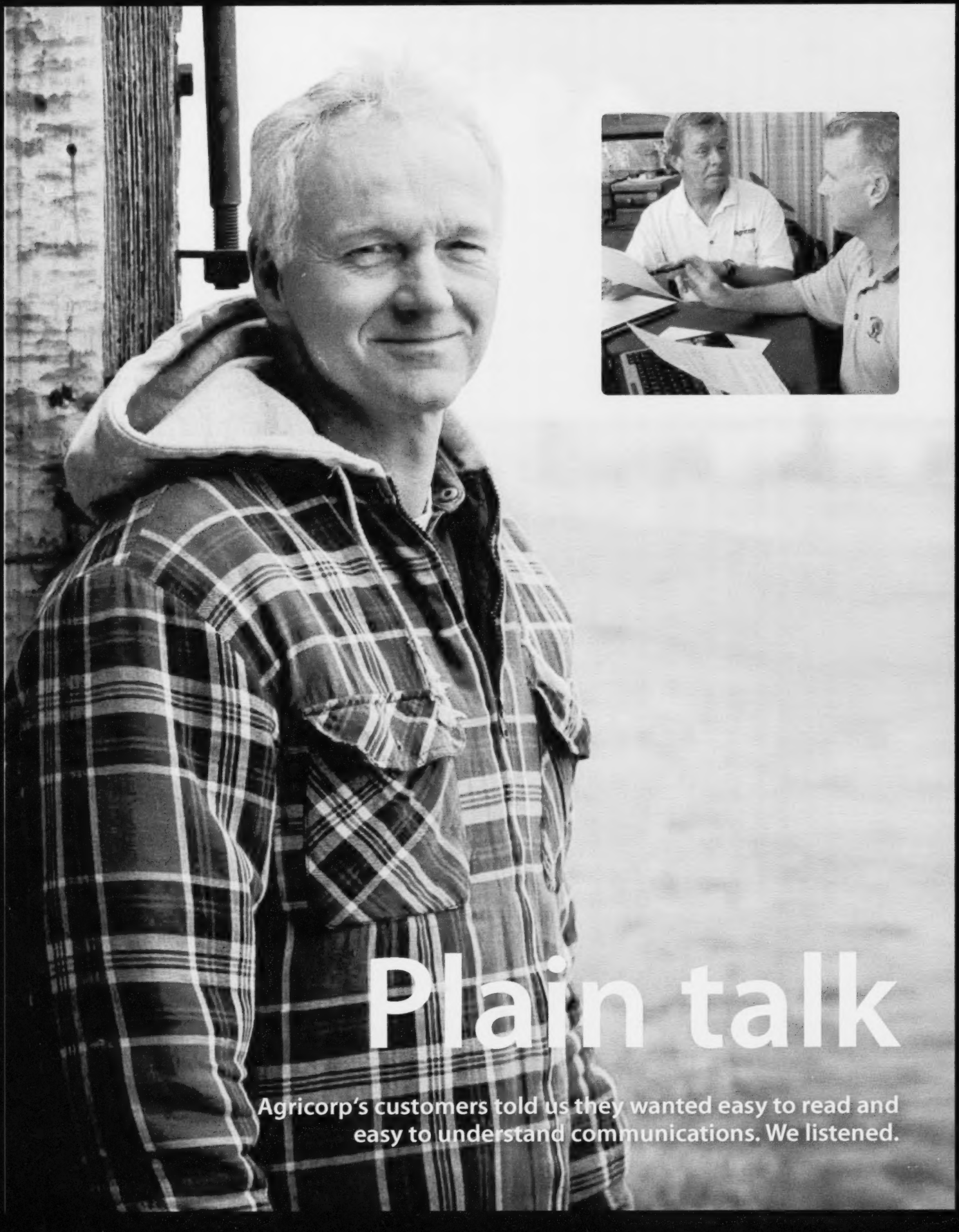
Recognizing that more than 80 per cent of AgriStability participants use an agent to act on their behalf, a number of initiatives were launched to enhance services to agents and deliver AgriStability benefits to producers more quickly. Agent information sessions were organized early in the year to help agents complete AgriStability forms and promote the online access to forms. Agency accounts were created to access AgriStability forms online allowing any agent to use a single login ID to access and submit information for all their AgriStability clients. Finally, to further improve response time, a pilot project was launched to link agents with large blocks of customers to a dedicated senior financial analyst.

2009-2010 Initiatives

Performance targets and results

Target:	**To maintain a positive trend or improve upon previous five-year customer satisfaction survey results.***
Result:	In the 2010 customer satisfaction survey, our overall performance rating was 3.44 which maintains the positive trend and is higher than the previous five – year average of 3.36.
Target:	**To increase the number of online AgriStability submissions by 15 per cent over the previous year.**
Result:	In 2009-2010, 6,535 submissions were submitted on myagricorp.com, for a total increase of 42 per cent over the previous year.
Target:	**To rank among the country's top 50 per cent service providers in cost efficiency.**
Result:	Agricorp's administrative cost per insured farm for PI, was $956 in 2009-2010; the national average was $1,406.

* Respondents were asked to rate their degree of satisfaction with Agricorp's performance using a five-point scale ranging from 1 (very dissatisfied) to 5 (very satisfied).


Plain talk
Agricorp's customers told us they wanted easy to read and
easy to understand communications. We listened.

Making complex documents make sense

Complex industries like banking, insurance and technology have a complex language and often that's the way they talk to their customers – using acronyms, technical terminology and industry-specific information. Many organizations have now adopted plain language principles as part of their customer service policies.

In Agricorp's customer satisfaction surveys, our customer rating of our program materials was mediocre at best and we weren't satisfied with that. Recognizing the importance of understanding complex programs, Agricorp set out to review and revise its customer material and provide clear, consistent communication across all of its programs. Since 2008 the percentage of customers who believe AgriStability material is very or somewhat easy to understand has increased by 34.2 per cent.

Program renewal packages for Production Insurance plans were improved as part of Agricorp's plain language initiative.

Under the plain language initiative, customer-facing forms, letters and program material were reviewed and revised according to the program business cycle and the limitations of technology. We kept the following rules in mind when we revised customer communications.

- Use easy-to-understand language instead of technical language
- Be concise, focusing on relevant and timely information
- Organize information in a way that is logical to the reader
- Use visual design to highlight significant information

Less complex forms promote clear understanding

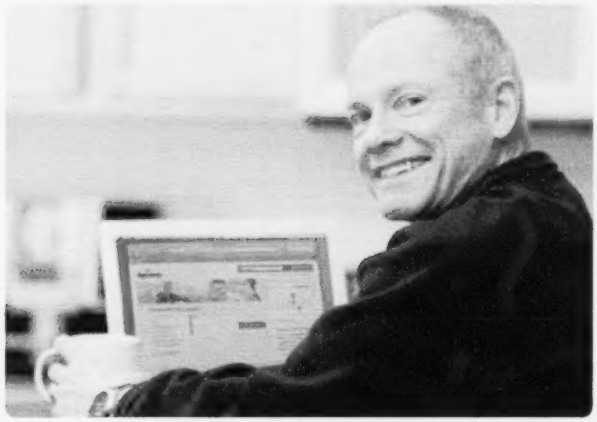
In May 2009 we changed the Calculation of Program Benefits (CPB) report. We put the information customers needed to know right up front instead of burying it further down in the document and making producers figure out what they needed to do.

We understand that customers want less complexity. As we develop new customer-facing materials we continue to promote clear communication and uphold our plain language principles to help earn the trust and confidence of producers.

2009-2010 Initiatives

Many of Agricorp's customer-facing documents were complex and difficult to understand.

In 2009-2010 the following initiatives supported Agricorp's goal to simplify customer documents and communicate to customers using plain language principles.



Agricorp's revamped external website Agricorp.com sets the necessary foundation for future online tools and web-type development.

Agricorp.com redesigned

Agricorp.com was made more user-friendly. The new site provides information that is easier to find and understand for producers. The redesign also uses a new content management system to aid future maintenance. The revised Agricorp.com sets the necessary foundation for future online tools and web-type developments.

Customer-facing material improved

Agricorp established and implemented plain language principles and practices to ensure all external and internal communications are easy to understand. Based on the principles, comprehensive booklets to explain Production Insurance plans were produced; program renewal packages for Production Insurance plans were improved; AgriStability forms and letters were reviewed, updated and streamlined; a 2009 pocket calendar, outlining important program deadlines was produced.

Changes to customers and agents communicated

In 2009-2010, verifiers were trained to contact customers directly if significant changes were required for their file. This procedure has been documented and is used as a performance metric for all verifiers. Of a sample of 1,500 benefit files, 95 per cent were reported to having contacted customers by phone, email or letter prior to completing the file.

Customer invoices simplified

Customer invoices have been simplified to ensure that customers have a consistent experience regardless of the program they are participating in. An updated AgriStability invoice has been implemented with the 2010 program year. The Production Insurance invoice has been updated and will be implemented in 2010-2011.

AgriStability forms sent earlier

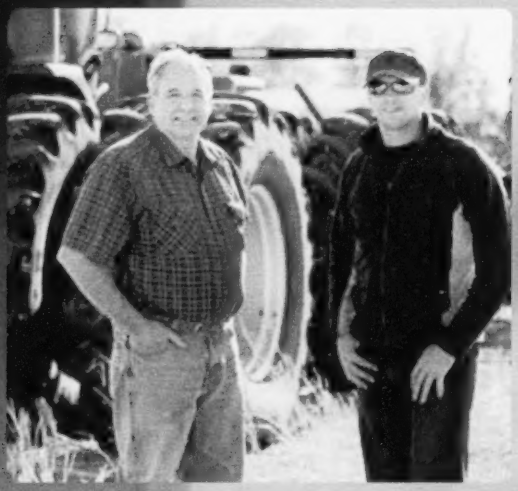
For the second year in a row, annual AgriStability applications were mailed to producers in January 2010, almost six weeks earlier than in prior years. As a result, employees were able to encourage agents attending information sessions to use their pre-populated applications. Use of the pre-populated applications improved our data capture and indexing processes, ultimately improving the integrity and reliability of data and paying producers earlier.

2009-2010 Initiatives

Performance targets and results

Target:	**To maintain a positive trend or improve upon previous customer satisfaction survey results relating to communications with our call centre.**
Result:	The call centre's communication rating* increased for the fourth consecutive year, and now stands at 3.87 up from 3.71 the previous year.
Target:	**To maintain a positive trend or improve upon previous customer satisfaction survey results relating to communications with our field staff.**
Result:	Regional services maintained a high score for communicating clearly with producers, averaging a score above 4 out of 5 for the third consecutive year.
Target:	**To maintain a positive trend or improve upon previous customer satisfaction survey result relating to written program communications.**
Result:	Customer rating* for Agricorp written communications, for all three major programs, improved for the third year in a row. The 2010 rating of 3.63 compares favourably to the previous year's rating of 3.44 and the previous three year average of 3.31.

* Respondents were asked to rate their degree of satisfaction with Agricorp's performance using a five-point scale ranging from 1 (very dissatisfied) to 5 (very satisfied).



Integrity

Governance, accountability and transparency: three ingredients essential to running a business ethically and responsibly.

Managing accountability requires a commitment to continuous improvement

Recent global business events brought renewed focus on the importance of strong governance.

At Agricorp, governance, accountability and transparency are at the forefront of the way we do business. We take seriously the responsibility inherent in helping our customers secure their financial futures. It's why we adhere to guidelines and directives for strong and consistent governance throughout the organization and it's why our employees are proud to work for us. Maintaining our reputation depends on the decisions we make, the values we uphold, and the personal integrity of each and every employee. Our recent customer satisfaction survey results show our customers believe Agricorp operates with the utmost integrity – a performance measure that consistently receives the highest rating in our overall performance and that has been steadily increasing for the past five years.

Year-over-year change in mean performance ratings

Measurement: the above graph illustrates the year-over-year change in performance of Agricorp on each of the individual attributes from 2008 to 2010. In each year, respondents were asked to rate their degree of satisfaction with the individual attributes defining Agricorp performance using a 5-point scale from "very satisfied" to "very dissatisfied."

Customer Survey 2010

We have a strong and independent board of directors, appointed by the lieutenant-governor on the recommendation of the Minister of Agriculture, Food and Rural Affairs (OMAFRA) who regularly review Agricorp's corporate governance processes and practices. And, every year employees, officers and directors officially acknowledge they are in compliance with the *Code of Ethics and Professional Conduct*.

We continuously look at ways to improve. Agricorp took a number of steps in 2009 to further strengthen oversight and governance. Fueled by a mutual interest to work collaboratively, OMAFRA and Agricorp worked together creating a governance and performance measures framework and establishing shared outcomes. We clarified our conflict of interest policy for employees who participate on boards, farm organizations, commodity groups and cooperatives and aligned our conflict of interest policy with the *Public Service of Ontario Act*. We established an enterprise-wide risk management strategy and an internal audit plan in partnership with Ontario Internal Audit. We brought our legal services in-house to ensure we're more responsive, timely and more efficient when it comes to supporting Agricorp on legal matters.

It's all part of good corporate governance. And it's at the heart of what we do every day.

2009-2010 Initiatives

Agricorp operates in an environment of increasing regulatory and public scrutiny. In recent years meeting these needs has created a significantly more challenging working environment. Agricorp is meeting these challenges through prudent resource management and enhanced organizational effectiveness.

In 2009-2010 the following initiatives supported Agricorp's goal to remain a trusted and transparent provider of business risk management programs.

OMAFRA/Agricorp governance and accountability structure enhanced

Agricorp and OMAFRA have developed an enhanced governance framework, including a revised structure with defined roles and accountabilities and a performance management framework. Implementation of these changes will result in more effective collaboration between the two organizations, benefiting stakeholders through seamless design, development and delivery of programs that strengthen Ontario's agriculture sector. The performance framework will be used to achieve intended results, demonstrate accountability and support informed decision making.

Enterprise risk management strategy implemented

Agricorp's risk management strategy identifies and categorizes risks to the agency's operations. The strategy documents current risk management processes and is used to monitor and manage risk in the organization.

Internal audit plan developed in partnership with Ontario Internal Audit

We improved our internal controls and procedures to ensure the integrity of program delivery. For example, a revised methodology for selecting AgriStability files to audit now includes both payment and non-payment files. Audits are helpful in identifying areas for improvement.

We take seriously the responsibility inherent in helping our customers secure their financial futures.

Business continuity plan started

The Emergency Management Act requires Agricorp to develop and maintain a business continuity plan. The organization is required to have a plan in place for continuous delivery of critical services during an emergency and for full operational resumption following an emergency. In 2009-2010 the agency developed and tested a pandemic plan. Further efforts planned for 2010-11 will include the development of other components of a comprehensive business continuity plan.

Procurement and expense practices further tightened

Accountability of government and its agencies continues to be at the forefront of public concern. Agricorp has and will continue to meet its accountability requirements, including changes to directives in the areas of procurement and expenses. Agricorp's ability to show that the directives are being met, through audits and effective and timely reporting, continues to improve.

Legal services unit created

Working with OMAFRA and the Ministry of the Attorney General, Agricorp established a legal services unit within Agricorp. The dedicated legal resources proactively support governance on legal matters and prudently respond to risk.

Procedures for conflict of interest files enhanced

Agricorp has taken steps to strengthen its conflict of interest policy in line with the *Public Service of Ontario Act*. Procedures were enhanced to handle all potential and declared conflict of interest files and a centralized unit is now in place to oversee the handling of such files.

2009-2010 Initiatives

Performance targets and results

Target:	**To meet or exceed a mean rating* of 3.50 for the customer satisfaction survey attribute "Operates with the Utmost Integrity."**
Result:	In the 2010 customer satisfaction survey Agricorp continued its positive trend over the last three years going from 3.37 in 2007 to 3.75 in 2010.
Target:	**To obtain a signed Memorandum of Understanding (MOU) between Agricorp and OMAFRA.**
Result:	There is a signed MOU in place. In 2010-11 there is a joint effort between Agricorp and OMAFRA to amend the MOU as a result of the Governance and Accountability project that was completed in 2009-10.
Target:	**To obtain a signed Operational Agreement (OA) between Agricorp and OMAFRA.**
Result:	In 2009-10 there was a deliberate decision by Agricorp and OMAFRA to defer the new OA until after the Governance and Accountability project was completed. In 2010-11, Agricorp and OMAFRA will collaborate to align the MOU and OA with the revised Agency Establishment and Accountability Directive (AEAD).
Target:	**Agricorp's Annual Report is submitted to the Minister within 120 days of year end.**
Result:	2008-2009 annual report submitted to the Minister on July 29, 2009.

* Respondents were asked to rate their degree of satisfaction with Agricorp's performance using a five-point scale ranging from 1 (very dissatisfied) to 5 (very satisfied).

Financial Highlights

AgriStability Program

In the current fiscal year, more than 5,100 participants received program benefits of $205 million. These benefits were supplemented by a further $1 million in General Top-up program benefits.

Production Insurance

The 2009 growing season was impacted by two distinct weather factors. A cold and wet spring delayed most crops throughout the spring and summer. However, very favourable fall weather helped most of the crops to mature despite their late start. Total claims for Production Insurance increased in 2009 to $68 million, up 28 per cent over the prior year claims of $53 million. As premium income exceeded $148 million, the PI fund balance increased from $422 million to $491 million.

Risk Management Program

RMP is a three-year pilot program for the 2007, 2008 and 2009 crop years, primarily for the grain and oilseed producers. Agricorp distributed over 8,000 cheques for $7 million to eligible producers during the year. The RMP payment is considered an advance against the Ontario portion of the AgriStability program for the producers.

Orchard and Vineyards Transition Program

This transition program is in effect for the 2008, 2009 and 2010 years. Agricorp delivered $6 million in support payments to assist in the cost of removal of approved orchards and vineyards.

General Fund

Agricorp receives funding on a cost recovery basis from both Ontario and Canada for administering the various programs under contract. Agricorp's administration costs were reduced to $46 million as a result of increased efficiencies and a reduction in the number of active programs being managed.

Notes

Description of the programs and payments are provided in more detail in Note 4 of the Financial Statements.

Management's Responsibility for Financial Reporting

The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial statements. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

The financial statements include some amounts, such as provision for claims, that are necessarily based on management's best estimates and have been made using careful judgement.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The board meets regularly to oversee the financial activities of the Agency and annually reviews the financial statements.

The financial statements have been examined independently by the office of the Auditor General on behalf of the Legislature and the board of Directors. The Auditor's Report outlines the scope of their examination and expresses their opinion on the financial statements of the company.

Randy Jackiw
Chief Executive Officer

Erich Beifuss
Chief Financial Officer

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To AgriCorp
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the balance sheet of AgriCorp as at March 31, 2010 and the statements of operations and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Toronto, Ontario
May 28, 2010

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Balance Sheet

As at March 31, 2010 ($ thousands)

	General Fund	Production Insurance	2010	2009
Assets				
Cash	1,778	769	2,547	2,058
Investments (note 6)	2,472	519,640	522,112	456,516
Accounts receivable (note 5)	8,184	2,641	10,825	19,356
Funds under administration (note 4)	38,459	–	38,459	48,458
Prepaid expenses	4,316	–	4,316	849
Capital assets (note 7)	1,667	–	1,667	2,057
Total Assets	**56,876**	**523,050**	**579,926**	**529,294**
Liabilities and Fund Balance				
Accounts payable and accrued liabilities	5,554	770	6,324	9,156
Unearned premiums and revenue (note 10)	5,170	15,832	21,002	30,221
Provision for claims	–	14,963	14,963	11,860
Funds under administration (note 4)	38,459	–	38,459	48,458
Total Liabilities	49,183	31,565	80,748	99,695
Fund Balances	7,693	491,485	499,178	429,599
Total Liabilities and Fund Balances	**56,876**	**523,050**	**579,926**	**529,294**

Commitments and contingencies (note 13)

See accompanying notes to financial statements.

Approved on Behalf of the board

Larry Skinner
Chair

Randy Jackiw
Chief Executive Officer

Statement of Operations and Fund Balances

For the Year Ended March 31, 2010 ($ thousands)

	General Fund	Production Insurance	2010	2009
Revenue				
Operating funding – Ontario and Canada (note 9)	38,618	–	38,618	39,571
Premiums from producers	–	58,875	58,875	56,137
Funding – Ontario and Canada	–	89,312	89,312	85,454
Sales, consulting and other services	7,396	–	7,396	7,837
Investment income (loss)	(14)	14,260	14,246	15,139
Total Revenue	**46,000**	**162,447**	**208,447**	**204,138**
Expenses				
Claims	–	68,199	68,199	53,052
Reinsurance (note 11)	–	19,514	19,514	19,260
Administration	46,065	–	46,065	47,579
Bad debts	–	13	13	473
Total Expenses	**46,065**	**87,726**	**133,791**	**120,364**
Excess (deficiency) of revenue over expenses	(65)	74,721	74,656	83,774
Change in fair value of assets classified as available for sale	–	(5,077)	(5,077)	12,824
Fund balance, beginning of year	7,758	421,841	429,599	333,001
Fund Balance, end of year	**7,693**	**491,485**	**499,178**	**429,599**

See accompanying notes to financial statements.

Statement of Cash Flows

For the Year Ended March 31, 2010 ($ thousands)

	General Fund	Production Insurance	2010	2009
Cash provided by operating activities				
Excess (deficiency) of revenue over expenses	(65)	74,721	74,656	83,774
Item not requiring an outlay of cash				
Amortization of capital assets	1,376	–	1,376	2,206
	1,311	74,721	76,032	85,980
Changes in non-cash working capital				
Net change in accounts receivable	7,066	1,465	8,531	288
Net change in prepaid expenses	(3,467)	–	(3,467)	(682)
Net change in accounts payable and accrued liabilities	(628)	(2,204)	(2,832)	175
Net change in unearned premiums and revenue	(2,200)	(7,019)	(9,219)	1,164
Net change in provision for claims	–	3,103	3,103	6,098
	771	(4,655)	(3,884)	7,043
Net cash provided by operating activities	2,082	70,066	72,148	93,023
Cash flows from financing activities				
Increase in investments	(972)	(69,701)	(70,673)	(91,385)
Cash flows used in investing activities				
Purchase of capital assets	(986)	–	(986)	(468)
Net increase in cash	124	365	489	1,170
Net cash, beginning of year	1,654	404	2,058	888
Net cash, end of year	**1,778**	**769**	**2,547**	**2,058**

See accompanying notes to financial statements.

Notes to the Financial Statements

March 31, 2010

1. Nature of Operations

The AgriCorp Act, 1996 established AgriCorp ("the Corporation") as a corporation without share capital. It was established as an Ontario Crown agency on January 1, 1997. Its mandate is to deliver agricultural safety net plans and services to the farm, food, and rural sectors of Ontario. These initiatives can be segregated into two: a Non-entitlement Program – Production Insurance ("PI"), and Entitlement Programs which are administered by the Corporation on behalf of the Ontario Ministry of Agriculture, Food and Rural Affairs ("OMAFRA").

Non-entitlement Program

PI was established in 1966 and currently operates pursuant to the Crop Insurance Act (Ontario), 1996. For all major crops grown in Ontario, PI provides insured growers with financial protection against yield reduction caused by natural perils.

Entitlement Programs

AgriStability, Ontario Risk Management Program ("RMP") and Orchards and Vineyards Transition Program ("OVTP") are current examples of Entitlement Programs. These programs, as detailed under note 4, are administered by the Corporation on behalf of OMAFRA, the Federal Government, or other organizations. The rules regarding payments to clients are determined by the programs and in formal agreements with the Corporation. The funds paid out under these programs flow from either Ontario or Canada or both through the Corporation to qualified applicants.

Other

The Corporation is responsible for the delivery of the Farm Business Registration Program ("FBR") established under the Farm Registration and Farm Organizations Funding Act, 1993 ("FRFA"). Under an agreement with OMAFRA, the Corporation administers FBR with the primary obligations of registering farm businesses, collecting registration fees, and forwarding the fees net of an administration charge to Ontario's accredited General Farm Organizations ("GFO").

2. Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). These financial statements are, in management's opinion, properly prepared within reasonable limits of materiality, statutory requirements and the framework outlined below.

The Corporation uses fund accounting whereby the activities in each program are accounted for in separate funds. The General Fund is used to account for all administrative costs and revenues, as well as for all un-segregated activities.

(b) Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful life of assets as follows:

Furniture and fixtures	4 years
Computer hardware	3 years
Computer software	2 years
Leasehold improvements	5 years

(c) Pension Plan

The Corporation sponsors a contributory defined benefit registered pension plan for all full-time employees. The Corporation contributes to the plan based on employee contributions and a factor determined by the plan's independent actuary. The cost of pension benefits for the defined benefit plan is determined by an independent actuary using the projected benefit method prorated on service and management's best estimates of expected plan investment performance, salary escalation, and retirement ages of employees. Pension plan assets are valued using current fair values and any actuarial adjustments are amortized on a straight-line basis over the average remaining service life of the employee group.

(d) Financial Instruments

The Corporation's financial instruments consist of cash, short-term investments, long-term investments, accounts receivable, accounts payable and accrued liabilities, and a provision for claims. Under GAAP, financial instruments are classified into one of five categories: available-for-sale, held-for-trading, held-to-maturity, loans and receivables, and other financial instruments. The Corporation classifies its financial assets and liabilities as follows:

- The Corporation has classified cash and short-term investments as held-for-trading which are measured at fair value. Held-for-trading financial instruments are carried at fair value with changes in the fair value reported in earnings.
- Long-term investments in bonds and debentures are classified either as available-for-sale or held-for-trading and their fair value is determined using quoted market bid prices. Held-for-trading bonds and debentures are recorded at fair value with realized gains and losses on sale and changes in the fair value of these bonds recorded in net investment income in the statement of operations. Available-for-sale bonds and debentures are recorded at fair value with changes in the fair value of these bonds recorded in unrealized gains and losses booked as a charge to net assets. Realized gains and losses on sale are reclassified from net assets and recorded in net investment income in the statement of operations.
- Accounts receivable are classified as loans and receivables, which are measured at amortized cost.
- Accounts payable and accrued liabilities, and provision for claims are classified as other financial liabilities, which are measured at amortized cost.
- The Corporation has elected to use trade date accounting for regular-way purchases and sales of financial assets.

(e) Revenue Recognition

Premium revenues are recognized in the year in which the related crops are harvested.

(f) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of accounts receivable, capital assets, accounts payable and accrued liabilities, unearned premiums and revenue, provision for claims and the employee future benefit asset. Actual results could differ from those estimates.

3. Change in Accounting Policy

Effective April 1, 2009, the Corporation adopted the following Canadian Institute of Chartered Accountants' ("CICA") presentation and disclosure standards:

(a) Amendments to accounting standards that apply only to not-for-profit organizations:

Effective April 1, 2009, the Corporation adopted the CICA amendments to the 4400 Sections of the Handbook. These amendments eliminate the requirement to show net assets invested in capital assets as a separate component of net assets, clarify the requirement for revenue and expenses to be presented on a gross basis when the not-for-profit organization is acting as principal and require a statement of cash flow. Adoption of these recommendations had no significant impact on the financial statements for the year ended March 31, 2010.

(b) Amendments to CICA Handbook Section 1000 Financial Statement Concepts:

These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching revenue and expense items. Adoption of these recommendations had no effect on the financial statements for the year ended March 31, 2010.

4. Funds Under Administration

The Corporation provides administration services on a cost recovery basis to process files and disburses payments to producers for agricultural programs. These programs are generally administered on behalf of OMAFRA for producers in Ontario, and cover joint Federal/Provincial programs, Federal only programs, and Ontario only programs. Individual program delivery agreements are in place for each program. Program payments are calculated according to the formal program requirements and the delivery agreements. Funding is provided by the Federal and Provincial governments and all funds are segregated in accounts under administration until such time as payments are processed for the producers. Funds for these programs are held in accounts with Canadian banks, bankers' acceptances or bank discount notes and all are highly liquid. The Corporation does not recognize program revenue or expenses or receivables or payables for these programs.

(a) AgriStability

AgriStability was established under the Growing Forward Framework Agreement as a continuation of the Canadian Agricultural Income Stabilization ("CAIS") program. AgriStability is in effect for 2007 and subsequent years. This program provides agricultural producers with some financial protection against declines in farm margin. For AgriStability and CAIS, participants must enroll in the program and pay administration and enrolment fees based on the selected level of coverage and a reference margin based on the individual participant's production margin for specified prior years. A program benefit is paid to the participant based on the participant's selected level of coverage and when the participant's current production margin falls below the set reference margin. AgriStability provides coverage for margin declines greater than 15%. The AgriInvest program, which is administered by the Federal Government, provides assistance to farmers for the first 15% of margin declines. The Federal and Ontario governments share the program costs on the basis of 60% and 40% respectively.

(b) Ontario Risk Management Program ("RMP")

The RMP program came into effect August 16, 2007 and expires on March 31, 2011. The program provides Ontario grain and oilseed producers commodity specific price support based on cost of production for the 2007, 2008 and 2009 crop years. The program is fully funded by Ontario and is an advance against Ontario's share of AgriStability program costs and reduces its share of AgriStability payments.

(c) Ontario Cost Recognition Top up Program ("OCRT")

The OCRT program came into effect June 7, 2007 and expires on March 31, 2011. This program provides producers with a payment in recognition of increased agricultural production costs over the years 2000 to 2004. The Ontario payment is calculated as 66.67% of the Federal Cost of Production Payment Program ("COP"). Ontario funding for the Program is limited to $55 million.

(d) Self Directed Risk Management Program ("SDRM")

Under the terms of the program, a producer deposits into the program account a percentage of his eligible net sales and a matching contribution is also made into the account by the Federal and/or Ontario governments. Claims are paid out of the program account to participants, but the total payment amount for a program year shall not exceed the total available funds in the account. The current SDRM program delivery agreement between the Corporation and OMAFRA came into effect April 1, 2007 and expires on March 31, 2011.

(e) Orchards and Vineyards Transition Program ("OVTP")

OVTP was established in 2008 under Agreement between OMAFRA and the Corporation to provide compensation to qualifying grape, apple, and tender fruit producers for part of the costs of removing and disposing of fruit trees and/or grapevines. This voluntary program was designed to assist producers to adapt to industry pressures and changing markets. This program is in effect for the 2008, 2009 and 2010 years. The program delivery agreement expires March 31, 2011.

(f) Ontario Cattle, Hog and Horticultural Payment Program ("OCHHP")

OCHHP came into effect December 13, 2007 and expires March 31, 2011. Under the terms of the agreement, producers may be eligible to receive a one-time payment if they received a federal COP or OCRT payment, and have at least 50% of their allowable net sales in specified commodities (cattle, hogs and horticulture). The payment is based on a specified formula. This program is funded by Ontario to a maximum of $140 million.

(g) General Top Up Program ("GTUP")

GTUP was established under the Canada-Ontario Implementation Agreement. Under the terms of the agreement, producers that participate in CAIS and received a payment under the program are eligible for a top-up payment based on a fixed percentage of their 2003 and 2004 CAIS government benefits. The Canada-Ontario shared funding for the program will not exceed $88 million.

(h) Plum Pox Program ("PPV")

PPV was established pursuant to the Canada-Ontario Agreement on Responding to the Presence of the Plum Pox Virus in Ontario and came into effect on June 29, 2001. The program is a multi-year plan to carry out plum pox detection surveys and other activities to help contain or eradicate the plum pox virus in Ontario. In addition, the program assists commercial tender fruit growers with the asset loss incurred when trees are removed as part of the plum pox control measures. Canada and Ontario have agreed to share overall program costs based on funds available for agricultural assistance at each level of government. The current program delivery agreement between OMAFRA and the Corporation came into effect April 1, 2008 and expires on March 31, 2011.

(i) CAIS Inventory Transition Initiative ("CITI")

CITI came into effect May 18, 2006 and expired on March 31, 2010. The Federal government was responsible for 100% of the $91 million paid to Ontario producers for the 2003, 2004 and 2005 program years. Although the agreement for CITI has expired, negotiations are underway to extend the program.

(j) Ontario Inventory Transition Program ("OITP")

OITP came into effect September 14, 2006 and was extended to March 31, 2011. The total cost for the program is estimated at $65 million for the 2003, 2004 and 2005 program years.

(k) Farm Business Registration ("FBR")

In accordance with FRFA, every farmer in Ontario who grosses more than $7,000 in farm income is required to register his farm business. In return for the registration fee, farmers pay a reduced property tax rate on agricultural land (25% versus 100%), and are granted membership in GFO of their choice. The Corporation collects the fee from the producer and remits it, less an administration charge, to the GFO of the producer's choice.

The following summarizes the transactions related to the funds under administration for the year ended March 31, 2010 and the remaining estimate of program payments expected to be paid to producers for programs that the Corporation administers. The remaining estimate is not included in the Corporation's balance sheet.

($ thousands)	Opening Balance 2009	Federal Funding	Provincial Funding	Other	Payments	Closing Balance 2010	Remaining Estimate 2010	Remaining Estimate 2009
AgriStability	31,287	111,702	77,584	7,696	(205,047)	23,222	265,158	298,017
RMP	7,269	–	7,250	(166)	(7,416)	6,937	4,938	5,595
OCRT	747	–	–	(63)	(119)	565	1,326	1,445
SDRM	2,141	–	1,192	261	(1,051)	2,543	3,068	4,519
OVTP	1,064	–	5,500	2	(6,045)	521	9,041	6,686
OCHHP	2,362	–	–	(263)	(538)	1,561	481	1,020
GTUP	2,823	–	–	175	(795)	2,203	2,897	2,793
PPV	257	957	912	661	(2,438)	349	3,573	1,648
CITI	26	–	–	138	(141)	23	6,998	6,739
OITP	265	–	–	(20)	(100)	145	5,069	4,469
Other	217	509	362	172	(870)	390	293	184
Total	**48,458**	**113,168**	**92,800**	**8,593**	**(224,560)**	**38,459**	**302,842**	**333,115**

5. Accounts Receivable

Accounts receivable are comprised primarily of amounts due from the Federal and Ontario governments and amounts due from producers.

($ thousands)	2010	2009
Government funding – Canada	7,013	11,688
Government funding – Ontario	3,459	6,069
Other	353	1,599
Total	**10,825**	**19,356**

6. Investments

Legislation restricts the Corporation's investments to highly liquid, high-grade instruments such as Federal and Provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance.

(a) Portfolio profile

Investments are as follows:

	Carrying Amount and Fair Value	
($ thousands)	2010	2009
Short-term	123,846	125,511
Long-term		
Government of Canada	63,424	29,676
Province of Ontario	114,025	117,204
Other provincial governments	113,925	50,198
Provincial utilities	24,521	4,831
Financial institutions	82,371	129,096
Total long-term	398,266	331,005
Total Investments	**522,112**	**456,516**

(b) Maturity Profile of the Investment Portfolio

($ thousands)	2010	2009
<1 Year	123,846	125,511
1-3 Years	137,087	107,207
4-5 Years	146,694	171,306
>5 Years	114,485	52,492
Total	**522,112**	**456,516**

7. Capital Assets

($ thousands)	Cost	Amortization	Net Book Value 2010	Net Book Value 2009
Furniture and fixtures	1,060	842	218	448
Computer hardware	6,382	5,786	596	637
Computer software	6,689	6,233	456	237
Leasehold improvements	1,866	1,469	397	735
Total	**15,997**	**14,330**	**1,667**	**2,057**

8. Financial Instruments

Fair value

For certain of the Corporation's financial instruments, cash, short-term investments, accounts receivable, accounts payables and accrued liabilities, the carrying amounts approximate fair value due to their short-term maturity. The fair value of investments is based on quoted market values.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Corporation's cash flows, financial position and income.

Fluctuations in interest rates have a direct impact on the market valuation of the Corporation's fixed income securities portfolio. The coupon rates from the long-term bond portfolio range from 3.55% to 6.50% with a weighted average yield of 4.96%. Fluctuations in interest rates could have a significant impact on the fair value of the bond portfolio. Although bonds are generally held to maturity, realized gains or losses could result if actual PI claim levels differ significantly from expected claims, and liquidation of long-term investments is required to meet obligations.

Credit risk

Credit risk is the risk that other parties fail to perform as contracted. The Corporation is exposed to credit risk principally through balances receivable from the Federal and Provincial governments and producers as well as through its investment securities. Credit risk arises from the Corporation's positions in term deposits, corporate debt securities, government bonds and from the possibility that the entities to which the Corporation advances funds may experience difficulty and be unable to fulfill their obligations. Legislation restricts the types of investments the Corporation may hold to high grade Canadian debt instruments and investments approved by the Ministry of Finance which significantly reduces credit risk.

9. Operating Funding – Ontario and Canada

The governments of Canada and Ontario have agreed to share the costs of administering PI, AgriStability, GTUP and PPV (asset loss) at the rate of 60% and 40% respectively. The costs to administer the RMP, OCRT, OCHHP, OITP, SDRM and OVTP programs are funded by the Ontario government. The costs to administer the PPV (detection surveys) and CITI programs are funded by the Federal government.

10. Unearned Premiums and Revenue

Unearned premiums represent premiums ($15.8 million) paid in advance to PI for crops that have yet to be harvested. These crops are not harvested until after the balance sheet date, giving rise to the deferral of the related premium revenue. Unearned revenue includes operating funding related primarily to the unamortized value of capital assets and prepaid expenses ($5.2 million).

11. Reinsurance Agreement

The Corporation has an ongoing program of reinsurance with a number of insurance carriers. This program provides for the reinsuring companies to assume PI losses based on negotiated thresholds. The Corporation purchased reinsurance for 2009 PI claims in excess of $259 million to a maximum of $410 million. As actual claims for the 2009 crop year were less than the minimum threshold, no reinsurance payments were received by the Corporation.

12. Pension Plan

The Corporation has a mandatory contributory defined benefit plan for its full-time employees. The changes for the defined benefit plan of the Corporation during the year are as follows:

($ thousands)	2010	2009
Accrued benefit obligation		
Balance at beginning of year	10,856	13,175
Current service cost	637	1,130
Interest cost	1,075	842
Employee contributions	1,303	1,161
Benefits paid	(304)	(333)
Actuarial (gain) loss	4,751	(5,119)
Balance at end of year	**18,318**	**10,856**

	2010	2009
Plan assets		
Fair value at beginning of year	10,547	10,308
Actual return (loss) on plan assets	2,473	(2,251)
Employer contributions	4,071	1,662
Employee contributions	1,303	1,161
Benefits paid	(304)	(333)
Fair value at end of year	**18,090**	**10,547**

Funded status		
Plan deficit	(228)	(309)
Unamortized actuarial loss	3,603	409
Unamortized transitional obligation	(78)	(91)
Accrued benefit asset	**3,297**	**9**

The accrued benefit asset for the pension plan is included in prepaid expenses. The significant actuarial assumptions adopted in measuring the accrued benefit asset of the Corporation are as follows:

	2010 %	2009 %
Discount rate to determine accrued benefit obligation	6.5	8.5
Discount rate to determine benefit cost	8.5	5.5
Expected long-term rate of return on plan assets	7.0	7.0
Rate of compensation increase	4.0	4.0

The net benefit plan expense is as follows:

($ thousands)		
Current services cost	637	1,130
Interest cost	1,075	842
Expected return on plan assets	(917)	(809)
Amortization of transitional obligation	(13)	(13)
Amortization of unrecognized loss	–	79
Net benefit plan expense	**782**	**1,229**

The percentage of total fair value of plan assets by category at March 31, 2010 is as follows:

Security type	% of plan
Canadian Equities	34.9
US Equities	15.6
International Equities	10.9
Bonds	36.8
Cash & Equivalents	1.8
Total Fund	**100.0**

An external investment advisor manages the investments held by the pension plan.

The most recent pension plan actuarial valuation was as of January 1, 2010. As of January 1, 2010, the plan was under funded by approximately $2.2 million on a going concern basis but had a solvency and wind-up surplus of $2.3 million. The next actuarial valuation is expected to be completed as of January 1, 2013.

13. Commitments and Contingencies

Lease commitments

The Corporation leases its office premises. The minimum aggregate rentals for the unexpired terms of these leases and other lease commitments are:

($ thousands)	
2011	2,686
2012	707
2013	595
2014	322
	4,310

Contingencies

During the normal course of business, certain claims or program payments may be denied by the Corporation. As a result, various claims or proceedings have been or may be initiated against the Corporation. The disposition of the matters that are pending or asserted is not expected by management to have a material effect on the financial position of the Corporation or on its results of operations.

14. Related Party Transactions

The Corporation has entered into several agreements to acquire services from OMAFRA. The cost for administrative, legal and audit services amounted to $574 thousand (2009 – $616 thousand). In addition, the Corporation rents its head office location from the Ontario Realty Corporation for a total cost for the year of $1.5 million (2009 – $1.3 million). The Corporation earned revenue of $53.9 million (2009 – $52.9 million) from OMAFRA as its share of PI premium and operating funding.

15. Capital Management

The main objective of the Corporation when managing its capital is to safeguard its ability to continue as a going concern, so that it can continue to deliver agricultural safety net plans and services to the farm, food and rural sectors of Ontario.

The Corporation is limited to administering the PI, business risk management programs (Entitlement Programs), and such other programs as are approved. AgriCorp ensures that it has sufficient capital and working capital through appropriate delivery agreements with its funding partners.

16. Board Remuneration and Salary Disclosure

Total remuneration to members of the board of Directors was $40,111 during calendar 2009 (2008 – $20,939).

The Public Sector Salary Disclosure Act, 1996, requires the Corporation to disclose employees paid an annual salary in excess of $100,000. For the 2009 calendar year, the amounts paid to such employees are:

Name	Position	Salary	Taxable benefits
Beifuss, Erich	Chief Financial Officer	$157,379	$ 549
Bhimji, Zeenat	Information Architect	108,832	391
Brown, Greg	Director, Risk Management	115,070	2,667
Cote Kennedy, Annie	Director, Communications	122,313	435
Ensafi, Masoud	Manager, Development Services	110,055	404
Fung, Patrick	Controller	119,496	428
Gallagher, Jocelyn	Senior Director, Human Resource & Organizational Development	136,434	488
Ip, Stephen	Director, Information Technology Application & Computing & Network Services	134,672	493
Jackiw, Randy	Chief Executive Officer	174,811	12,061
Langermann, Olesia	Manager, Total Compensation	118,650	–
LaRose, Doug	Chief Information Officer	169,684	626
Lennox, Lee Ann	Director, Strategic Management & Communications	105,586	377
Li, Joyce	Senior Manager, Corporate Project Management Office	102,792	378
Meneray, Debra	Senior Director, Program Delivery	137,933	493
Vlcek, Michael	Senior Director, Program Development	131,696	470
Wong, Roxana	Manager, Information Technology Client Services	114,636	412

17. Comparative Amounts

Certain comparative amounts have been reclassified to conform to the financial statement presentation adopted in the current year.

Agricorp®

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